

1 UNITED STATES COURT OF APPEALS

2 FOR THE SECOND CIRCUIT

3 No. 1221 August Term, 1985

4 (Argued June 16, 1986

Decided July 15, 1986

5 Docket Nos. 86-7077, 86-7099

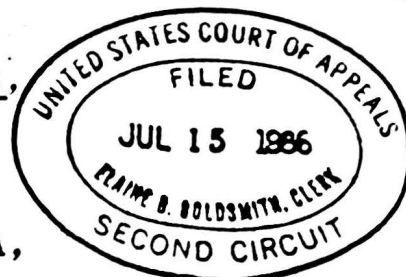
6 UNIVERSAL CITY STUDIOS, INC.,

7 Plaintiff-Appellant,
8 Cross-Appellee,

9 -against-

10 NINTENDO CO., LTD. and NINTENDO OF AMERICA,
INC.,

11 Defendant-Appellees,
12 Cross-Appellants.



13
14 Before: MESKILL and KEARSE, Circuit Judges, and
15 METZNER, District Judge.*

16 Appeal from a judgment of the United States District
17 Court for the Southern District of New York (Robert W. Sweet,
18 Judge), 615 F. Supp. 838 (1985), awarding compensatory and
19 punitive damages on a counterclaim for tortious interference
20 with contractual relations, damages and attorney's fees on
21 a counterclaim for vicarious copyright infringement, and
22 denying relief on a counterclaim for unjust enrichment.
23 An appeal is also taken from that part of the judgment
24 awarding the defendants attorney's fees for successfully
25 defending against trademark infringement and unfair com-
26 petition claims.

21 Affirmed.

25 *The Honorable Charles M. Metzner of the United States District
26 Court for the Southern District of New York, sitting by
designation.

1 MICHAEL W. SCHWARTZ, ESQ., Wachtell, Lipton,
2 Rosen & Katz, New York, N.Y. (David
3 Gruenstein and Richard H. Weiss, Of
Counsel), for Plaintiff-Appellant,
Cross-Appellee.

4 JOHN J. KIRBY, JR., ESQ., Mudge, Rose, Guthrie,
5 Alexander & Ferdon, New York, N.Y.
6 (Thomas G. Gallatin, Jr., Shelley B.
7 O'Neill and Robert J. Gunther, Jr.,
Of Counsel), for Defendants-Appellees,
Cross-Appellants.

8 METZNER, District Judge:

9 This is an appeal from a judgment, entered after a
10 bench trial, of the United States District Court for the
11 Southern District of New York, Sweet, J. The judgment disposed
12 of counterclaims brought by the defendants, Nintendo Co., Ltd.
13 and Nintendo of America, Inc. (Nintendo), against plaintiff
14 Universal City Studios, Inc. (Universal), a subsidiary of
15 MCA, Inc. We affirm.

16 Background

17 This case represents the latest round involving the
18 allegation that Nintendo infringed Universal's trademark in
19 King Kong when it marketed its popular video game Donkey Kong.
20 Judge Sweet decided in 1983, on motions for summary judgment,
21 to dismiss Universal's complaint of trademark infringement
22 and unfair competition against Nintendo. Universal City Studios
23 v. Nintendo Co., 578 F. Supp. 911 (S.D.N.Y. 1983). This court
24 affirmed that judgment. Universal City Studios v. Nintendo Co.,
25 746 F.2d 112 (2d Cir. 1984).

1 The district court then proceeded to try Nintendo's
2 counterclaims against Universal. On July 29, 1985, the district
3 court ruled for Nintendo on part of its tortious interference
4 counterclaim; for Nintendo on its vicarious copyright infringement
5 counterclaim; and against Nintendo on its unjust enrichment
6 counterclaim. Universal City Studios v. Nintendo Co., 615 F.
7 Supp. 838 (S.D.N.Y. 1985). The court also awarded Nintendo
8 punitive damages for tortious interference, attorney's fees for
9 successfully defending against Universal's trademark infringement
10 claim, and attorney's fees for successfully prosecuting its
11 vicarious copyright infringement counterclaim. Each party now
12 appeals to this court on each of the claims it lost below.

13 The dispute between Universal and Nintendo first arose
14 when Donkey Kong became enormously popular in 1981 and 1982.
15 The game was played by millions of Americans, including some
16 of the top management at Universal, who concluded that it
17 reminded them of King Kong. Universal had been greatly
18 interested in the original 1933 "King Kong" movie, a "Son of
19 Kong" sequel, and a 1976 remake of the original.

20 In 1975 a dispute had developed between Universal,
21 RKO Radio Pictures, Inc. (RKO), and the Dino DiLaurentis Cor-
22 poration (DDL), as to who could produce a remake of the film
23 "King Kong." RKO had produced the original film in 1933, which
24 was based upon a book by Merian C. Cooper, who also co-authored
25 the screenplay. In 1975, RKO licensed DDL to produce a remake,
26 a result that upset Universal, which claimed that it had

1 been offered the license in negotiations.

2 In August 1975 Universal filed suit in federal court
3 for the Central District of California seeking a declaratory
4 judgment that the copyright on the King Kong story had lapsed,
5 that the story was in the public domain, and that Universal
6 could produce a remake without infringing the rights of RKO or
7 DDL. Universal City Studios, Inc. v. RKO General Inc., et al.,
8 C.V. 75-3526-R (C.D. Cal. 1975). RKO counterclaimed asserting,
9 among other things, that Universal had diluted its trademark
10 in King Kong. At the conclusion of a four-day bench trial,
11 Universal's regular outside trial counsel, Stephen Kroft, argued
12 that King Kong could not be a trademark because it had no
13 secondary meaning and was part of the ordinary English language.

14 On November 24, 1976, the district court found that
15 the King Kong story, as embodied in the original novel, had
16 become part of the public domain, and that RKO had a copyright
17 only in "the copyrightable matter" which was contained in the
18 1933 movie but not in the original novel. Universal City
19 Studios, Inc. v. RKO General, Inc., et al., C.V. 75-3526-R
20 (C.D. Cal. Nov. 24, 1976) (Findings of Fact and Conclusions of
21 Law). The court found that Universal could make a movie based
22 on King Kong as long as it did not infringe on the copyrightable
23 scenes of the 1933 movie. Id.

24 The court denied relief on RKO's counterclaim alleging
25 trademark dilution, adopting Universal's argument that there
26 had been no such dilution and, further, that:

1 "1) There is no evidence that the title
2 'King Kong' has a secondary meaning by
3 which the public [in 1976] identifies
4 such title with RKO or the motion picture.

5 2) The name 'King Kong' has become part
6 of the ordinary English language."

7 Id. The court reduced these findings to a judgment (the RKO
8 judgment)¹ on November 24, 1976.

9 Richard Cooper, Merian's heir, was a defendant in
10 the RKO litigation and had filed a cross-claim against RKO.
11 On December 6, 1976, the court entered an interlocutory judgment
12 which determined that Merian Cooper's agreement with RKO had
13 given RKO the right only to produce the 1933 movie and the
14 "Son of Kong" sequel. Richard Cooper v. RKO General, Inc.,
15 C.V. 75-3526-R (C.D. Cal. Dec. 6, 1976).

16 The district court later entered findings of fact
17 and conclusions of law in conjunction with a final judgment
18 (the Cooper judgment) on Richard Cooper's cross-claim. The
19 court incorporated its previous findings from the interlocutory
20 judgment and concluded that, as between RKO and Cooper, Cooper
21 possessed all rights in the name, character and story of King
22 Kong other than the rights in the 1933 movie and the sequel
23 "Son of Kong." The court also found that RKO's license with DDL
24 for the remake of Kong Kong, and its licenses with certain toy
25 manufacturers, had breached RKO's original limited assignment
26 from Merian Cooper. Therefore, RKO owed Richard Cooper the profit
27 accrued from these breaches. The court consistently noted, how-
28 ever, that its determination of Richard Cooper's cross-claim did

1 not affect any other person and did not affect its finding that
2 the King Kong story was in the public domain.

3 It is clear from the above that Cooper did not hold
4 any trademark rights against the world in King Kong. Any
5 such rights that might exist would be solely against RKO.

6 After the entry of the Cooper judgment, Cooper
7 assigned all of his rights in King Kong to Universal for
8 \$200,000. The primary value of the assignment, it appears,
9 was Cooper's right to receive certain revenues DDL would pay
10 to RKO under DDL's license to produce a King Kong remake.
11 DDL released that remake in December 1976.

12 In the years following the RKO case, Universal made
13 no effort to license King Kong. In 1981, however, O. R.
14 Rissman, the president of Tiger Electronics Toys, Inc. (Tiger),
15 saw a new Donkey Kong video arcade game in Japan, and decided
16 that Tiger should produce a similar game. In September 1981
17 he received from Universal an exclusive King Kong license for
18 video games.

19 In the summer and fall of 1981, Nintendo filed
20 applications for a copyright and trademark for Donkey Kong and
21 began to market the game in the United States. Nintendo also
22 reached an agreement with Coleco Industries, Inc. (Coleco),
23 which provided that Coleco would produce Donkey Kong in cart-
24 ridge form for use with a home video game it was beginning to
25 market. Nintendo reached similar agreements with other third
26

1 parties, including Atari, which agreed to market a similar video
2 cartridge, and with Ruby-Spears, which received an option to
3 use the Donkey Kong name and character in a cartoon series.

4 In the spring of 1982 Universal began to assert that
5 it had trademark rights in King Kong which were being infringed
6 by Donkey Kong. In April 1982 Universal asserted to Coleco and
7 Nintendo that their cartridge infringed Universal's rights in
8 King Kong. Coleco promptly agreed to settle and to pay Universal
9 3 per cent of its profits from Donkey Kong sales. Nintendo
10 refused to settle, however.

11 At about this same time Universal took action to
12 revoke its license with Tiger, apparently because that license
13 contained an exclusivity provision which would prevent Universal
14 from granting a license to Coleco. Universal first terminated
15 Tiger's license, but after Nintendo remained adamant in refusing
16 to settle, Universal advised Tiger that it would reconsider
17 terminating its license if Tiger made some modifications to
18 its game. Tiger then made some minor alterations, and Universal
19 granted a modified license which included a nonexclusivity
20 provision.

21 On June 29, 1982, Universal filed suit against Nintendo
22 in the Southern District of New York, using the local law firm
23 of Townley & Updike as counsel. In the fall and winter of 1982
24 Universal moved aggressively to persuade Nintendo's Donkey Kong
25 licensees to establish license agreements with Universal.
26 Universal reached an agreement with Atari which provided that

1 Universal would not sue Atari, and that Atari would pay Universal
2 3 per cent of the gross wholesale sales of Atari's Donkey Kong
3 cartridges. Universal also reached a similar agreement with
4 Ruby-Spears.

5 On January 3, 1983, Universal sent "cease and desist"
6 letters to all of Nintendo's licensees restating the claims
7 in Universal's complaint. (Universal had obtained the list of
8 licensees in discovery in its suit against Nintendo.) Universal
9 demanded that each licensee either cease marketing Donkey Kong
10 products or obtain a license from Universal.

11 During this period Universal aggressively sought to
12 persuade Nintendo's two other major licensees, Milton Bradley
13 (which had a Donkey Kong board game), and Ralston-Purina (which
14 had a license for a Donkey Kong cereal), to obtain licenses
15 from Universal. Both companies refused, and both marketed
16 their products without legal action by Universal.

17 The facts described above have given rise to three
18 Nintendo counterclaims alleging liability. Nintendo claims
19 first that Universal's "cease and desist" letters threatening
20 litigation against Nintendo's third party licensees tortiously
21 interfered with Nintendo's contractual relations with those
22 licensees. Second, Nintendo claims that Universal's modified
23 agreement licensing Tiger's King Kong video game vicariously
24 infringed Nintendo's copyright in Donkey Kong. Third, Nintendo
25 contends that Universal's agreements with Coleco, Atari and
26

1 Ruby-Spears tortiously interfered with Nintendo's agreements
2 with those three companies and resulted in unjust enrichment.

3 Discussion

4 I. Universal's "Cease and Desist"
5 Letters to Nintendo Licensees

6 The district court found that Universal tortiously
7 interfered with Nintendo's contractual relations when it sent
8 "cease and desist" letters to Donkey Kong licensees on
9 January 3, 1983. The district court found that, as the result
10 of these letters, six licensees² stopped manufacturing Donkey
11 Kong products and refused to pay to Nintendo the guaranteed
12 royalties specified in their licenses. This resulted in damages
13 of \$94,219.56, which the district court awarded to Nintendo.

14 To establish a claim for tortious interference with
15 contractual relations under New York law (which the parties
16 agree is applicable), Nintendo must establish: (1) a valid
17 contract between Nintendo and a licensee; (2) Universal's know-
18 ledge of the contract and inducement of a breach; and (3) result-
19 ing damage to Nintendo. Strobl v. New York Mercantile Exchange,
20 561 F. Supp. 379, 386 (S.D.N.Y. 1983); Israel v. Wood Dolson Co.,
21 1 N.Y.2d 116, 120, 151 N.Y.S.2d 1, 5 (1956).

22 Universal mounts on appeal a two-pronged attack
23 against the district court's finding. First, it argues that
24 the threat of litigation, without anything more, cannot amount
25 to tortious interference with contractual relations. Second, it
26 asserts that the district court's findings were clearly erroneous.

1 At the outset, it is clear that under New York
2 law litigation or the threat of litigation can give rise to a
3 claim for tortious interference with contractual relations.
4 When the New York Court of Appeals considered the basis for this
5 tort in 1980, it described the nature of the action and included
6 civil suits among the "wrongful means" that could give rise to
7 liability. Guard-Life Corp. v. S. Parker Hardware Mfg. Corp.,
8 50 N.Y.2d 183, 191, 428 N.Y.S. 628, 632 (1980). Further, the
9 Guard-Life decision expressly endorsed the provisions in the
10 Restatement (Second) of Torts establishing this tort. Id.
11 Under the Restatement, a lawsuit or the threat of a lawsuit
12 is wrongful "if the actor has no belief in the merit of the
13 litigation." Restatement, supra, § 767, comment c. It is also
14 wrongful if the actor, having some belief in the merit of the
15 suit, "nevertheless institutes or threatens to institute the
16 litigation in bad faith, intending only to harass the third
17 parties and not to bring his claim to definitive adjudication."
18 Id. See also Zilg v. Prentice-Hall, Inc., 717 F.2d 671, 677-78
19 (2d Cir. 1983), cert. denied, 466 U.S. 938 (1984).

20 The question here is whether the district court's
21 findings in this case were clearly erroneous. Fed. R. Civ. P.
22 52(a). As this court has stated so often, this means that we
23 must not disturb the findings below unless "we are 'left with
24 the definite and firm conviction that a mistake has been
25 committed.'" Avis Rent a Car System, Inc. v. Hertz Corp., 782
26 F.2d 381, 384 (2d Cir. 1986), quoting United States v. United

1 States Gypsum Co., 333 U.S. 364, 395 (1948). The court below
2 found that Universal knew that it did not have a trademark in
3 King Kong, and that it threatened suit not to adjudicate its
4 trademark claim, but to coerce others into sharing their Donkey
5 Kong profits.

6 Judge Sweet was fully justified in finding on the
7 record of this case, that Universal did not have a good faith
8 basis for its conduct. In assessing this case, we return to
9 the 1975 litigation against RKO in which Universal successfully
10 urged that the name King Kong had not acquired any secondary
11 meaning. If anyone knew what the law was on this point under
12 the facts of this case, it was Universal.³

13 Of course, there may be a legitimate explanation for
14 an about-face, such as new law or changed circumstances, among
15 others. However, Universal offered no explanation for its
16 change in position, and in fact completely ignored the fact
17 that it reversed course.

18 There was sufficient other evidence to buttress the
19 decision below.

20 First, it was clear from the evidence that Sidney
21 Sheinberg, president of Universal and MCA and also an attorney,
22 personally knew the facts, background and nuances of the 1975
23 litigation. He stated that the 1975 case was his case and there
24 was no intermediary. He knew that RKO and DDL owned copyrights
25 in the verbatim visual images from the 1933 and 1976 movies.
26

1 The evidence unequivocally indicated that Sheinberg and Joseph
2 Di Muro, a legal consultant and former general counsel of
3 Universal, both repeatedly concluded that Universal could not
4 copy the verbatim movie images of the King Kong gorilla because
5 RKO and DDL owned those images.

6 Sheinberg must have known that these RKO and DDL
7 visual image rights were irreconcilable with the existence of
8 any Universal trademark rights in King Kong. Under the Lanham
9 Act:

10 "The term 'trade-mark' includes any word,
11 name, symbol, or device or any combination
12 thereof adopted and used by a manufacturer
13 or merchant to identify his goods and dis-
14 tinguish them from those manufactured or sold
15 by others."

16 15 U.S.C. § 1127. The existence of the legally protected RKO
17 and DDL King Kong images meant that the public could not
18 possibly associate some undefined third King Kong image and
19 distinguish it from these other sources. In this regard it is
20 noteworthy that Universal never created another image of King Kong

21 Further, in depositions, Sheinberg either refused or
22 was unable to identify the nature of Universal's rights in King
23 Kong, an indication that Sheinberg did not believe in the
24 assertion made in Universal's complaint and letters. Also
25 consistent with such a lack of belief was Universal's less than
26 vigorous efforts to enforce any trademark rights it thought it
possessed. Before Donkey Kong was marketed, Universal did
nothing to protect any rights in King Kong when trademark
searches indicated third party uses of the name. Finally,

1 this failure to act is consistent with the fact that Di Muro
2 and Loretta Sifuentes, a lawyer and vice president of MCA,
3 concluded that Universal had no rights to license King Kong.

4 Even in conjunction with Donkey Kong, Universal
5 simply threatened legal action against numerous third party
6 licensees of Donkey Kong, and then invited them to quickly
7 settle their disputes. When licensees such as Coleco and
8 Atari agreed to settle, Universal obtained handsome royalties.
9 When other licensees refused to settle, however, Universal did
10 not pursue its claims by filing actions in court. This further
11 indicates that Universal used litigation and the threat of
12 litigation merely to obtain quick settlement payments from
13 third parties, and not to bring its claims to definitive
14 adjudication.

15 Universal seeks to rebut this wide array of evidence
16 by arguing that Cooper received in the Cooper Judgment, and
17 then transferred to Universal, trademark rights that had been
18 held by RKO. Perhaps Cooper did receive and transfer some
19 undefined "merchandising rights," but Cooper plainly did not
20 obtain any trademark rights in his judgment against RKO, since
21 the California district court specifically found that King Kong
22 had no secondary meaning.

23 Universal seeks nonetheless to avoid liability by
24 asserting that it relied on the opinion of outside counsel
25 Steven Kroft that it had a valid claim. Under the Restatement,
26 a party is not liable in tort for threatening legal action if

1 it relied upon the advice of counsel, sought in good faith,
2 after full disclosure of all relevant facts within its knowledge
3 and information. Restatement, § 675

4 In this case, Universal failed to call Kroft as a
5 witness at trial. The district court "inferred from the absence
6 of Kroft's testimony and his continuing close relationship with
7 Universal that, had he testified, his testimony would have been
8 unfavorable to Universal on the subject of its trademark claim."
9 615 F. Supp. at 847. Given Kroft's position in the RKO litigation that King Kong had no secondary meaning, and the fact that
10 Kroft, as a witness, was essentially under Universal's control,
11 it is reasonable to infer that Kroft's testimony would not have
12 supported Universal. Indeed, it would have been interesting
13 to hear him explain the consistency of any advice to Universal
14 that it had trademark rights with his statements to the California
15 district court on this point.

16
17 The Award of Attorney's Fees

18 The district court awarded Nintendo \$1,142,545.70 for
19 the attorney's fees incurred in defending Universal's trademark
20 infringement and unfair competition claims. It found that this
21 award was proper under Section 35 of the Lanham Act, or
22 alternatively, as punitive damages on the tortious interference
23 claim or pursuant to Rule 11 of the Federal Rules of Civil
24 Procedure.

25 The district court's award of attorney's fees in this
26 case was appropriate under Section 35 of the Lanham Act.

1 15 U.S.C. § 1117. This section states that "[t]he court in
2 exceptional cases may award reasonable attorney's fees to the
3 prevailing party."

4 The district court did not err when it found that
5 Universal brought its Lanham Act claim in bad faith merely to
6 join in the profits from Donkey Kong. It then based its award of
7 attorney's fees in this case on Mennen Co. v. Gillette Co.,
8 565 F. Supp. 648 (S.D.N.Y. 1983), aff'd mem., 742 F.2d 1437
9 (2d Cir. 1984). In Mennen, a district court awarded counsel fees
10 to a defendant which had successfully defended against trade-
11 mark and unfair competition claims because:

12 "There is a substantial overtone in this case
13 to warrant an inference that this suit was
14 initiated as a competitive ploy. As such it
15 carries necessary damage to the defendant when
16 the plaintiff's claims are found, as they are
17 here, to have no real substance."

18 565 F. Supp. at 657.

19 The Mennen approach is consistent with that taken by
20 other courts which have considered the attorney's fee issue by
21 focusing on whether a losing party prosecuted or defended a
22 claim in bad faith. South Whisky Ass'n v. Barton Distilling
23 Co., 489 F.2d 809, 813-14 (7th Cir. 1973); DC Comics, Inc. v.
24 Filmation Associates, 486 F. Supp. 1273, 1284 (S.D. N.Y. 1980);
25 Steak & Brew, Inc. v. Beef & Brew Restaurant, Inc., 370 F. Supp.
26 1030, 1038 (S.D. Ill. 1974).

Given this conclusion, there is no need for this
court to determine whether an award of attorney's fees was

1 justified as punitive damages or pursuant to Rule 11 of the
2 Federal Rules of Civil Procedure.

3 The Award of Punitive Damages

4 The district court also awarded \$222,498.28 as
5 punitive damages on Nintendo's tortious interference counter-
6 claim. This amount represented funds which Nintendo disbursed
7 in defending against Universal's Lanham Act claim, but which
8 were not spent on attorney's fees. and which were not taxable
9 as costs under Civil Rule 11 of the Rules of the Southern
10 District of New York.

11 Under New York law, an injured party can recover
12 punitive damages when the tortious act complained of involved
13 a wanton or reckless disregard of the plaintiff's rights.
14 Giblin v. Murphy, 97 A.D.2d 668, 671, 469 N.Y.S.2d 211, 215
15 (3d Dept. 1983); Le Mistral, Inc. v. Columbia Broadcasting
16 System, 61 A.D.2d 491, 494-95, 402 N.Y.S.2d 815, 817 (1st Dept.
17 1978), appeal dismissed, 46 N.Y.2d 940 (1979). The New York
18 courts have considered punitive damages to be particularly
19 appropriate for tortious conduct involving deliberate action
20 "systematically conducted for profit." See Walker v. Sheldon,
21 10 N.Y.2d 401, 406, 223 N.Y.S.2d 488, 492 (1961).

22 An award of punitive damages was appropriate under
23 the facts of this case. First, Universal knew that it did not
24 have trademark rights in King Kong, yet it proceeded to broadly
25 assert such rights anyway. This amounted to a wanton and reck-
26 less disregard of Nintendo's rights.

1 Second, Universal did not stop after it asserted its
2 rights to Nintendo. It embarked on a deliberate, systematic
3 campaign to coerce all of Nintendo's third party licensees
4 to either stop marketing Donkey Kong products or pay Universal
5 royalties.

6 Finally, Universal's conduct amounted to an abuse of
7 judicial processes, and in that sense caused a larger harm to
8 the public as a whole. Depending on the commercial results,
9 Universal alternatively argued to the courts, first, that King
10 Kong was part of the public domain, and then second, that King
11 Kong was not part of the public domain, and that Universal
12 possessed exclusive trademark rights in it. Universal's asser-
13 tions in court were based not on any good faith belief in their
14 truth, but on the mistaken belief that it could use the courts
15 to turn a profit.

16 Based on these facts, the district court's award of
17 punitive damages was not an abuse of discretion.

18 II. Universal's License of Tiger's
19 King Kong Video Game

20 The district court found that Universal vicariously
21 infringed Nintendo's copyright in Donkey Kong by licensing the
22 competing King Kong game made by Tiger. The court found that
23 Universal knowingly contributed to this infringement, and
24 awarded Nintendo the profits Universal accrued on the Tiger
25 license, totaling \$56,689.41.
26

1 On appeal, Universal argues that the district court
2 erred by failing to specify which part of Nintendo's arcade
3 game represented protectible expression as distinguished from
4 the underlying and unprotectible idea. Further, Universal
5 argues that the characters involved in Donkey Kong are not
6 protectible because they are not "wholly fanciful."

7 The district court specified the protectible aspect
8 of Donkey Kong with reasonable precision. It recognized that
9 the game characters themselves were not protectible, but found
10 that the "interaction" of the characters, obstacles, background
11 and music were "arbitrary, fanciful, and sufficiently distinctive
12 such that they deserve protection" 615 F. Supp. at
13 859-60.

14 The district court's finding is further buttressed
15 by Universal's initial termination of the Tiger license and
16 the admission to Nintendo by Robert Hadl, a vice president of
17 Universal, that Universal recognized that the Tiger game
18 infringed Nintendo's copyright in Donkey Kong.

19 The district court also awarded attorney's fees of
20 \$83,525.05 to Nintendo for the time spent on the vicarious
21 copyright infringement claim. 615 F. Supp. at 864. Universal
22 appeals from this award.

23 The district court awarded attorney's fees pursuant
24 to 17 U.S.C. § 505 which provides that "[t]he court in its
25 discretion . . . may award a reasonable attorney's fee to the
26 prevailing party." This circuit has long held that such an

1 award lies within the sound discretion of the trial court.

2 Orgel v. Clark Boardman Co., 301 F.2d 119, 122 (2d Cir.), cert.
3 denied, 371 U.S. 817 (1962).

4 Given the findings noted above, an award of attorney's
5 fees was well within the district court's discretion. Roth v.
6 Pritikin, 787 F.2d 54, 57 (2d Cir. 1986); see also Diamond v.
7 Am-Law Publishing Corp., 745 F.2d 142, 148 (2d Cir. 1984).

8
9 III. Universal's License Agreements with
Coleco, Atari and Ruby-Spears

10 The district court rejected Nintendo's counterclaims
11 seeking damages on the basis of Universal's license agreements
12 with Coleco, Atari and Ruby-Spears. Nintendo contends that it
13 is entitled to relief on the ground, first, that Universal
14 tortiously interfered with Nintendo's license agreements with
15 these three companies (the Nintendo Agreements), and second,
16 that Universal's action resulted in unjust enrichment.

17 As to tortious interference, there is no evidence
18 to indicate that the Nintendo Agreements were materially breached.
19 Universal's actions did not in any way reduce the payment of
20 royalties to Nintendo. Further, the fact that these licensees
21 entered into agreements with Universal, by itself, does not
22 establish a breach of the Nintendo Agreements because those
23 Agreements permitted the licensees to settle any infringement
24 actions brought against them.

25 In the counterclaim for unjust enrichment, Nintendo
26 alleges that Universal misappropriated Nintendo's trademark in

1 Donkey Kong when it licensed King Kong in agreements with Coleco,
2 Atari and Ruby-Spears. Nintendo argues that it is entitled to
3 recover the \$4.76 million in revenue that Universal earned from
4 these agreements because, in substance, Universal licensed not
5 King Kong, but rather Nintendo's rights to Donkey Kong.

6 To recover on a theory of unjust enrichment under
7 New York law, a party must establish not only that there was
8 enrichment, but that the enrichment was at the plaintiff's
9 expense, and that the circumstances dictate that, in equity
10 and good conscience, the defendant should be required to turn
11 over its money to the plaintiff. Dolmetta v. Uintah National
12 Corp., 712 F.2d 15, 20 (2d Cir. 1983); see also McGrath v.
13 Hilding, 41 N.Y.2d 625, 629, 394 N.Y.S.2d 603, 606 (1977).
14 A circuit court's review of an unjust enrichment determination
15 is limited. "The granting of equitable relief lies within the
16 sound discretion of the trial court, so long as that discretion
17 is exercised in accordance with the applicable established
18 precedents." Indyk v. Habib Bank Limited, 694 F.2d 54, 57
19 (2d Cir. 1982).

20 Nintendo sold its rights in Donkey Kong to Coleco,
21 Atari and Ruby-Spears when it entered into license agreements
22 with these three companies. Thus, on the face of the trans-
23 actions involved in this case, Universal did not obtain money
24 that was owed to Nintendo.

25 This is not to say that Universal acted properly
26 when it entered into these three license agreements. Any

1 injustice harmed not Nintendo, however, but the three companies
2 that paid Universal. Equity requires, therefore, that if
3 Universal must disgorge its profits, the money should be paid
4 to these companies. Coleco has already sued Universal to
5 recover the revenues it paid. Coleco Industries, Inc. v.
6 Universal City Studios, Inc., 84 Civ. 2596 (S.D.N.Y. filed
7 April 12, 1984). That case, not this one, represents the proper
8 means to determine the propriety of Universal's conduct.

9 The judgment of the district court is affirmed.

Footnotes

1. RKO appealed the RKO judgment to the Ninth Circuit Court of Appeals, and Universal, in its brief to that court, argued that "[t]he name, title and character of 'King Kong' are in the public domain." Brief for Appellee, Universal City Studios, Inc. v. RKO General, Inc., et al., Nos. 77-1518, 77-2212, at 76. Before the Ninth Circuit ruled, Universal and RKO entered into a settlement agreement. As part of the settlement, the parties agreed that the RKO judgment below would be vacated.

2. These licensees were Trim Line, Charlestan Hosiery, Super Shirts, House Glass, Mantan Cork and Sylva Manufacturing.

3. The fact that the parties in the RKO suit subsequently settled their dispute and vacated the district court's judgment does not alter the underlying fact that Universal's contention of law was approved by a federal court. The holding in this case involves not an application of judicial estoppel, which would completely bar the party from arguing an inconsistent position in subsequent litigation, see Allen v. Zurich Insurance Co., 667 F.2d 1162, 1167 (4th Cir. 1982), but only an inference as to the party's belief in the merits of its subsequent lawsuit.